

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7597

BILL NUMBER: HB 1426

NOTE PREPARED: May 3, 2007

BILL AMENDED: Apr 29, 2007

SUBJECT: Economic Incentives Accountability.

FIRST AUTHOR: Rep. Austin

FIRST SPONSOR: Sen. Ford

BILL STATUS: Enrolled

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State

Summary of Legislation: The bill requires that the Indiana Economic Development Corporation (Corporation) report on certain tax credits, loans, and grants awarded or approved by the Corporation, including the extent of compliance with representations that recipients made in the course of obtaining the benefits. It provides that the Corporation may seek to reclaim parts of certain loans and grants if the entity to which the loan or grant is awarded has not, in the absence of good cause, complied with the representations that the entity made in obtaining the loan or grant. It also repeals separate requirements that the Corporation make annual reports concerning: (1) the Economic Development for a Growing Economy (EDGE) Tax Credit Program; and (2) the Hoosier Business Investment Tax Credit Program.

Effective Date: Upon passage.

Explanation of State Expenditures: *Summary:* The bill requires the Indiana Economic Development Corporation to publish a semiannual economic incentives and compliance report in 2008 and 2009; and an annual economic incentives and compliance report beginning August 1, 2010. The bill also repeals annual reporting requirements that apply specifically to the EDGE Credit Program and the Hoosier Business Investment Tax Credit Program as a result of the new reporting requirements established by the bill. The IEDC's current level of resources should be sufficient to fulfill these administrative tasks. The April 30, 2007, state position vacancy report indicates that the IEDC has 33 vacant full-time positions.

Background Information: The bill requires the economic incentives and compliance report to be published each year on February 1st (covering the preceding July to December period) and August 1st (covering the preceding January to June period) through 2009. Beginning in 2010, an annual report is required instead of the semiannual reports. The annual report must be published before August 1st (covering the preceding July

to June period). The report requirements established by the bill apply to (1) grants given by the state, (2) loans (forgivable or not) and loan guarantees made by the state, and (3) specified state tax credits applied for and awarded after June 30, 2007. The state tax credits to which the reporting requirements apply are as follows:

- (1) Enterprise Zone Loan Interest Credit
- (2) EDGE Credit
- (3) Capital Investment Tax Credit
- (4) Hoosier Business Investment Tax Credit
- (5) Blended Biodiesel Tax Credits
- (6) Ethanol Production Tax Credit
- (7) Headquarters Relocation Credit.

The bill requires the economic incentive and compliance report to be submitted to the Governor and the Legislative Council, and published on the IEDC's Internet web site. The report must include at least the following:

- (1) The total amount of tax credits approved or awarded by the IEDC, and loans or grants made by the IEDC.
- (2) The name and address of the recipients of the tax credits, loans, or grants.
- (3) The amount of each recipient's tax credit, loan, or grant.
- (4) The purpose of each recipient's tax credit, loan, or grant.
- (5) Representations of the recipient when applying for the tax credit, loan, or grant as to the number of new, retained, or trained employees and other employee benefits; and certification by the IEDC that the recipient meets the program requirements and representations as to employee wages and compensation.
- (6) The extent to which the recipient has complied with the representations described in (5).

Explanation of State Revenues: The bill authorizes the IEDC to seek refunds of loans or grants from a recipient that it finds (in compiling the information for the compliance reports) has not complied with the representations that the recipient made in obtaining the loan or grant; and the IEDC determines that there was not good cause for the noncompliance. The impact of this provision is indeterminable and would depend upon administrative actions by the IEDC and compliance rates among incentive recipients.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Economic Development Corporation.

Local Agencies Affected:

Information Sources:

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